

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 NSCE-00 AGR-20 SWF-02 AID-20

CEA-02 CIAE-00 COME-00 EB-11 FRB-03 INR-11 NSAE-00

RSC-01 CIEP-03 SP-03 STR-08 TRSE-00 LAB-06 SIL-01

SAM-01 OMB-01 USIE-00 PA-04 PRS-01 INRE-00 NSC-07

SS-20 SSO-00 L-03 DRC-01 /169 W
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O R 261845Z SEP 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 7536

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: INITIAL REACTIONS TO GERMAN REFUSAL TO ACCEPT CAP PRICE
INCREASES

REFS: A) BONN 15187 B) EC BRUSSELS 7292

1. SUMMARY: THE PRINCIPAL REACTION IN THE COMMUNITY TO THE
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ANNOUNCEMENT THAT GERMANY WOULD NOT GO ALONG WITH AGRICULTURAL

PRICE INCREASES IS THAT OF SURPRISE. A FEW COMMISSION AND PERM DEL SOURCES SEE A FULL-BLOWN STORM AHEAD. MOST, HOWEVER, PLAY DOWN THE DRAMA; PREFER TO AWAIT DEVELOPMENTS; AND POINT TO UNCLEAR ASPECTS OF THE FRG POSITION. A COUNCIL OF FOREIGN AND AGRICULTURAL MINISTERS HAS BEEN SCHEDULED FOR OCTOBER 2. CERTAINLY BONN'S ACTION HAS PRECIPITATED A POTENTIALLY SERIOUS SITUATION IN THE COMMUNITY, BUT WHETHER THERE WILL BE A REAL CRISIS REMAINS
REMAINS TO BE SEEN. END SUMMARY

2. EC COMMISSION AND PERM DEL SOURCES WERE UNIVERSALLY SHOCKED THAT THE GERMAN CABINET REFUSED TO CONFIRM ERTL'S ACCEPTANCE OF THE 5 PERCENT PRICE RISE DECIDED BY THE SEPTEMBER 17-20 AGRICULTURAL COUNCIL (REFTELS A AND B). ASSESSMENTS DIVERGE, HOWEVER, PARTLY BECAUSE THERE HAS NOT BEEN SUFFICIENT TIME TO DIGEST THE ISSUES AND PARTLY BECAUSE FEW FEEL SURE ABOUT THE REACTIONS OF OTHER EC MEMBER STATES -- OR INDEED ABOUT ALL ASPECTS OF BONN'S POSITION.

3. ACCORDING TO THE INFORMATION AVAILABLE IN BRUSSELS, THE GERMAN DECISION HAS SEVERAL MAIN ELEMENTS: (A) ANY IMMEDIATE PRICE INCREASE SHOULD BE TAKEN INTO ACCOUNT IN THE NEXT ROUND OF DECISIONS ON CAP FARM PRICES; (B) GERMANY CANNOT ACCEPT A 5 PERCENT PRICE RISE UNLESS OTHER MEMBERS AGREE TO DISMANTLE THEIR "ILLEGAL NATIONAL MEASURES" WHICH DISTORT COMPETITION WITHIN THE COMMUNITY AND THE NINE AGREE THAT THERE SHOULD BE AN OVERALL REVIEW OF THE CAP. THE COMMISSION'S DEPUTY DIRECTOR GENERAL FOR AGRICULTURE, FRANKLIN, TOLD US THAT, WHILE BONN IS OBVIOUSLY SERIOUS, HE IS IN THE DARK ABOUT THE FULL MEANING OF THE GERMAN STATEMENT. HE AND OTHERS IN THE COMMUNITY CONSIDER IT UNCLEAR AND AMBIGUOUS IN SOME RESPECTS.

4. THE EFFECT OF THE GERMAN DECISION IS TO KEEP CURRENT CAP PRICES IN FORCE FOR THE TIME BEING. THE 5 PERCENT INCREASE HAD BEEN SCHEDULED TO TAKE EFFECT ON OCTOBER 1.

5. THERE HAS BEEN LITTLE OFFICIAL REACTION FROM THE COMMISSION, WHICH HAS NOT YET MET ON THE PROBLEM. HOWEVER, LARDINOIS SPOKE BEFORE THE EUROPEAN PARLIAMENT IN LUXEMBOURG ON SEPTEMBER 26, AFTER WHICH THE PARLIAMENT ADOPTED A LIMITED OFFICIAL USE

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RESOLUTION (A) ASKING THE FRG TO RECONSIDER ITS ACTION AND (B) CALLING FOR A PROMPT SESSION OF THE EC COUNCIL. LARDINOIS, SPEAKING ON BEHALF OF THE COMMISSION, AND FRENCH STATE SECRETARY DESTREMAU, SPEAKING ON BEHALF OF THE PRESIDENCY OF THE COUNCIL, TRIED TO PLAY DOWN THE CRISIS ELEMENTS IN THE SITUATION. IN THE COURSE OF HIS TALK, LARDINOIS CHARACTERIZED THE GERMAN CONDITIONS AS REASONABLE.

6. ON SEPTEMBER 26 IN BRUSSELS THE COMMISSION SPOKESMAN SAID THE COMMISSION IS NOT DRAMATIZING THE ISSUE. IT DOES NOT EXPECT TO MAKE ANY NEW PROPOSALS. IT HAS ALWAYS OPPOSED NATIONAL MEASURES WHICH INFRINGE THE ROME TREATY. THE SPOKESMAN RECOGNIZED THAT THE GERMAN GOVERNMENT IS WITHIN ITS RIGHTS IN REJECTING AN AD REFERENDUM AGREEMENT, THOUGH THIS IS THE FIRST TIME IN THE HISTORY OF THE COMMUNITY THIS HAS HAPPENED ON SUCH AN ISSUE.

7. AT THE REQUEST OF THE COMMISSION AND SEVERAL MEMBER STATES A COUNCIL OF FOREIGN AND AGRICULTURAL MINISTERS HAS BEEN SCHEDULED FOR 3:30 P.M. ON WEDNESDAY, OCTOBER 2, IN LUXEMBOURG.

8. SOURCES IN THE GERMAN PERMANENT DELEGATION TOLD US THAT THEY TOO WERE SURPRISED BY THE CABINET DECISION, PARTICULARLY IN VIEW OF THE FACT THAT ERTL GAVE HIS AD REFERENDUM AGREEMENT TO THE 5 PERCENT PRICE INCREASE AFTER TALKING WITH SCHMIDT AT 4:00 A.M. SEPTEMBER 20. ONE SOURCE SAID THAT WHEN THE CABINET MET, IT DEVELOPED THAT TOO MANY MINISTERS WERE OPPOSED. DURING THIS MEETING, THE GERMAN CABINET REPORTEDLY HEARD THAT SOME MEMBER STATES WERE PLANNING TO ADOPT ADDITIONAL NATIONAL MEASURES TO HELP THEIR FARMERS. ACCORDING TO OUR SOURCE THERE HAD ALSO BEEN A GENERALLY NEGATIVE FRG REACTION TO THE LARDINOIS BONN PRESS CONFERENCE ABOUT POSSIBILITIES FOR REFORM OF THE CAP.

9. OUR FRG DELEGATION SOURCE INSISTED THAT BONN'S DECISION WAS NOT AN EFFORT DELIBERATELY TO PROVOKE CONFRONTATION WITH THE OTHER EIGHT. THE FRG'S CONDITIONS WERE DISCUSSED AT LENGTH IN THE SEPTEMBER 17-20 COUNCIL SESSION. HE BELIEVES THE OTHER MEMBER STATES APPRECIATE THE INTERNAL GERMAN POLITICAL PRESSURES WHICH BROUGHT ON THIS DECISION. THESE ARE ESSENTIALLY: (A) IT WILL BE DIFFICULT TO ARGUE WAGE RESTRAINT IN GERMANY AFTER A LARGE AGRICULTURAL PRICE INCREASE; AND (B) UNLESS GERMANY CAN LIMITED OFFICIAL USE

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PUT A STOP TO "NATIONAL MEASURES" BY OTHER EC GOVERNMENTS THERE WILL BE INTENSE PRESSURE BY GERMAN FARMERS FOR SIMILAR MEASURES. (COMMISSION OFFICIALS DO NOT CONSIDER THAT GERMAN SKIRTS ARE CLEAN ON THIS ISSUE, HOWEVER, THEY BELIEVE THE FRG ALREADY HAS NATIONAL MEASURES IN FORCE WHICH ARE AT BEST QUESTIONABLE UNDER THE TREATY.)

10. UNOFFICIAL OPINIONS IN THE COMMISSION AND PERM DEL CIRCLES VARY WIDELY AS TO WHETHER THE COMMUNITY FACES A MAJOR CRISIS OR NOT. SOME ARGUE THAT PUBLIC POSTURES ALREADY ADOPTED AND SEVERE INTERNAL PRESSURES IN EC COUNTRIES WILL MAKE IT VERY DIFFICULT FOR THE NINE TO RESOLVE THE ISSUE WITHOUT POLITICAL DAMAGE TO THE COMMUNITY. HOWEVER, THE MORE TYPICAL INITIAL REACTION HAS BEEN THAT A MAJOR CRISIS CAN PERHAPS BE AVOIDED.

11. COMMENT: WE BELIEVE THAT ANY FIRM JUDGMENT ABOUT THE GRAVITY OF THE " CRISIS" JUST AWAIT (A) REACTIONS FROM EC CAPITALS AND (B) THE DIPLOMATIC MANEUVERING PRECEDING AND CULMINATING IN NEXT WEEK'S COUNCIL SESSION. WHAT SEEMS CLEAR, HOWEVER, IS THAT THE COMMUNITY -- AND FRANCE IN PARTICULAR -- WILL HAVE TO ACCUSTOM THEMSELVES TO MORE VIGOROUS GERMAN BEHAVIOUR THAN WOULD HAVE SEEMED POSSIBLE A SHORT WHILE AGO. MYERSON

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